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Message Text

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TO AMEMBASSY ROME PRIORITY
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FODAG

FOLLOWING SENT SECSTATE WASHDC INFO BOGOTA BRASILIA GUATEMALA
MANAGUA PANAMA TEGUCIGALPA QUITO GUAYAQUIL FROM SAN JOSE
17 MAY 74:

QUOTE LIMITED OFFICIAL USE SAN JOSE 1880

E.O. 11652: GDS
TAGS: ETRD, CS
SUBJECT: BANANA EXPORTING COUNTRIES COME TO APPARENT IMPASSE

REF: (A) SAN JOSE 1824; (B) QUITO 3273

1. SUMMARY: ACCORDING TO A LOCAL PRESS ACCOUNT THE
ATTEMPT TO SET UP A UNION OF BANANA EXPORTING
COUNTRIES (UPEB) HAS COME TO A TEMPORARY IMPASSE
BECAUSE OF ECUADOR'S FAILURE TO PARTICIPATE IN
CURRENT DISCUSSIONS. ANOTHER MEETING OF EXPORTING
COUNTRIES WILL BE HELD BEFORE MAY 31. IN THE MEANTIME
THE STANDARD FRUIT COMPANY HAS BEEN IDENTIFIED
AS THE FOCAL POINT OF OPPOSITION TO THE EFFORTS OF
THE EXPORTING COUNTRIES TO RAISE BANANA PRICES. END SUMMARY
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2. ACCORDING TO THIS MORNING'S LA NACION THE ATTEMPT TO CREATE A UNION OF BANANA EXPORTING COUNTRIES (UPEB) HAS, AT LEAST FOR THE TIME BEING, MET WITH FAILURE. ANOTHER MEETING AIMED AT SETTING UP UPEB WILL BE HELD, PROBABLY IN PANAMA OR QUITO, BEFORE MAY 31.

3. THE MAIN OBSTACLE TO THE CREATION OF UPEB APPEARS TO BE THE LACK OF COOPERATION ON THE PART OF ECUADOR. ECUADOR HAS NOT YET SENT A REPRESENTATIVE TO THE CURRENT MEETING OF BANANA EXPORTING COUNTRIES WHICH COMMENCED IN SAN JOSE ON MAY 15 AND IS DUE TO END TODAY. THE MORNING DAILY LA REPUBLICA IS STILL HOLDING OUT THE POSSIBILITY THAT AN ECUADORIAN REPRESENTATIVE FAVORABLE TO UPEB'S CREATION WILL ARRIVE TODAY. THE LA REPUBLICA ACCOUNT CITES A RUMOR THAT EX-MINISTER OF ECONOMY ROSALES WAS FORCED TO RESIGN BECAUSE OF OPPOSITION TO UPEB AND THAT HIS SUCCESSOR, ALEJANDRO RUBIO, FAVORS THE CREATION OF UPEB. NICARAGUA AND GUATEMALA HAVE ALSO BEEN DRAGGING THEIR HEELS ON BOTH THE CREATION OF UPEB AND THE IMPOSITION OF AN EXPORT TAX ON BANANAS. LIKE ECUADOR, GUATEMALA IS NOT REPRESENTED AT THE CURRENT MEETING.

4. ACCORDING TO THE LA NACION ACCOUNT THE ACTUAL STATUS OF THE BANANA EXPORT TAX IN THE EXPORTING COUNTRIES IS AS FOLLOWS:

COUNTRY	NET TAX REVENUE	DATE TAX EFFECTED
PANAMA	$1.00	1 MONTH AGO
COSTA RICA	.50	2 WEEKS AGO
HONDURAS	.50	3 WEEKS AGO
COLOMBIA	.40	2 WEEKS AGO
ECUADOR	-	-
NICARAGUA	-	-
GUATEMALA	-	TAX BEING DISCUSSED IN LEGISLATURE

5. TODAY'S LA NACION ACCOUNT STATES THAT THE ACTIONS OF THE STANDARD FRUIT COMPANY IN OPPOSITION TO THE BANANA EXPORT TAX WERE DENOUNCED AT YESTERDAY'S MEETING. IN A PARALLEL MOVE, THE COSTA RICAN NATIONAL ASSEMBLY PASSED A UNANIMOUS RESOLUTION IN SUPPORT OF

THE EFFORTS OF THE PRODUCING COUNTRIES TO IMPROVE BANANA PRICES. AT THE SAME TIME, THE ASSEMBLY CONDEMNED THE STANDARD FRUIT COMPANY FOR ITS ACTIONS "IN OPPOSING THE (GOVERNMENT'S) POLICY OF JUST PRICES, USING RESOURCES AND PROCEDURES WHICH ARE INCOMPATIBLE WITH THE NATIONAL SOVEREIGNTY (OF COSTA RICA)." ACCORDING TO LA NACION, THE ASSEMBLY RESOLUTION GOES ON TO EXHORT THE EXECUTIVE BRANCH TO TAKE WHATEVER STEPS

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ARE JUSTIFIED IN REACTION TO THE POSITION OF STANDARD FRUIT.

6. IN WHAT IS APPARENTLY DESIGNED TO BE A FOLLOW-ON TO THE CURRENT GOVERNMENTAL LEVEL MEETING, PRIVATE BANANA PRODUCERS PLAN TO MEET IN SAN JOSE MAY 20 TO MAY 23. THEY WILL DISCUSS THE CREATION OF A FEDERATION OF LATIN AMERICAN BANANA PRODUCERS TO DEFEND PRODUCERS' RIGHTS IN COLLABORATION WITH UPEB. ACCORDING TO THE PRESS, ECUADORIAN PRODUCERS, ALONG WITH PRODUCERS FROM PANAMA, COSTA RICA, GUATEMLA AND HONDURAS, WILL BE REPRESENTED AT NEXT WEEK'S MEETING.

7. COMMENT: EVENTS NOW LOOK AS IF THEY ARE HEADED ON A COLLISION COURSE WITH STANDARD RIGHT IN THE MIDDLE. IT IS EXTREMELY DOUBTFUL IF UPEB CAN COME INTO EXISTENCE WITHOUT THE COOPERATION OF ECUADOR. AT THE SAME TIME THE COSTA RICAN GOVERNMENT HAS CLEARLY COMMITTED ITSELF TO GOING THROUGH WITH THE EXPORT TAX AND IT IS NOT CLEAR JUST HOW THE GOCR COULD BACK OFF AT THIS POINT. EMBASSY OFFS PLAN TO CONTACT KNOWLEDGEABLE OFFICIALS EITHER TODAY OR MONDAY AND WILL FOLLOW UP WITH THEIR ASSESSMENT OF CURRENT MEETING AND PREDICTIONS FOR FUTURE COURSES OF ACTION. LANE UNQUOTE RUSH

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